STATEMENT BY CINDY EHNES REGARDING PUBLIC MEETING ON BLUE CROSS OF CALIFORNIA
August 7, 2007

Good morning, my name is Cindy Ehnes and I am the Director of the California Department of Managed Health Care. I appreciate all of you attending today as we allow the public to comment on issues concerning Blue Cross of California.

I'm joined here on the dais by two of my staff members – Braulio Montesino, Chief of the Legal and Policy Research and Opinions Unit, and Mark Wright, Chief of the Division of Financial Oversight.

As the director of one of two state agencies with jurisdiction over Blue Cross health plan operations in California, it is my job to apply the law fairly – to protect consumers and ensure that health plans maintain their ability to provide health care to Californians.

Through the Knox-Keene Act, under which Blue Cross of California is regulated, Californians are fortunate to have the strongest patient right's laws in the nation. It is through these laws that California health plans are held more accountable, health benefits are more comprehensive and information is more transparent than in any other state.

We believe that California's managed care delivery model contributes greatly to the continued health of Californians.

Managed care allows health plans to offer comprehensive benefits, including preventive care and many other services important to ourselves and our families.

Our laws are not perfect, nor does this mean that there is not room for improvement in our health care delivery system.

But I can assure you that every day, those of us in public agencies work to be responsive to the needs of consumers and the providers of our health care.

Not only do we strive to work on behalf of the public, we also have the public responsibility to maintain balance in our managed care industry, so that the system remains available for people who need to use it.

Managed care depends on different parts to make it whole. It is a delicate balance between the key elements -- consumers, providers and health plans -- that make the concept work together to make comprehensive health care available and accessible.

Current law required the DMHC to examine the merger transaction based on the ability of the company to continue access to appropriate health care for California's Blue Cross enrollees.

In our free-market health care system, when the DMHC examined the merger, it was important to demonstrate this delicate balance that would produce strong protections for consumers, respect the integrity of the Knox-Keene Act and also send a strong

message that California is a state with a competitive and healthy marketplace where business is welcome.

Our review process under the Knox-Keene Act was thorough, structured and deliberative. We were able to impose strict conditions to improve the quality and accessibility of health care for Californians, retain administrative oversight activities in California, hold down administrative costs, maintain current levels of products available for low-income consumers and provide investments in important health programs, such as the Healthy Families program.

Our process dating back to the time of the merger consideration to the present, has been open and fair.

But now that we are approaching the end of the merger commitment period, it seemed only right to allow the public to weigh in on the company's performance over the past three years.

This meeting is about allowing all points of view to be aired and the company to demonstrate its accountability to the commitments it made in 2004.

Each of us in this room has a role to fulfill in making sure our managed care system works as effectively as possible and we take our role as regulator very seriously.

We will now hear a brief presentation to review the history of the merger and raise the concerns that we have heard from the public.

Braulio Montesino, the Chief of the Legal and Policy Research and Opinions Unit, will give the presentation and explain the agenda for the rest of the day.